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SIPDIS

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SUBJECT: BOSNIA: WANING BOSNIAK-CROAT PARTNERSHIP
EXACERBATES WOES IN FEDERATION ENTITY

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Classified By: Classified By: DCM Jonathan Moore. Reasons 1.4 (b) and (d).

Summary

¶1. (C) The stalled cooperation between the Bosniak Party of Democratic Action (SDA) and the Croatian Democratic Union (HDZ)-BiH in the Federation entity reflects deepening tension between the party leaders. SDA leader Sulejman Tihic and HDZ-BiH leader Dragan Covic, who in the past have resolved Federation disputes themselves, have failed to resolve a months-long stalemate over a number of issues. Meanwhile, "Bosnian Croat capital" Mostar languishes without a mayor and without a city budget. This rift bodes ill for the Federation's fundamental ability to function between now and next year's elections. End summary.

Government Lags on Filling Vacancies

¶2. (C) Federation President and HDZ-BiH member Borjana Kristo -- per Covic's instructions -- has lagged for months on filling key vacancies in the government, thereby crippling the entity's economic progress. The Ministry of Spatial Planning has been vacant since the SDA presidency's removal on September 18 of then-Minister Salko Ophodjas, and SDA has proposed Haris Ihtijarevic, a close associate of Federation PM and SDA member Mustafa Mujezinovic, to replace him. (Note: The Federation Constitution stipulates that eight Ministers must be Bosniak, five Croat, three Serb, and one "other." This Ministry therefore is expected to remain with the Bosniaks, and, per the governing coalition's agreement at its inception, SDA is expected to take that slot. End Note.) Kristo's failure to confirm this candidate is one of the reasons why development of the 5C corridor highway project has stalled. Kristo also has yet to fill two slots open since March -- one Bosniak and one Croat -- in the Federation Constitutional Court. Kristo told us that she is not inclined to fill these slots because she disagrees with the law allowing the High Judicial and Prosecutorial Council (HJPC) to appoint candidates to the entity Constitutional Courts and feels that "real Croats" (namely, HDZ-BiH) should decide who will occupy Croat posts. Other vacancies include five members of the Commission for Securities, whose mandates expired in May, and the chairman of the Federation Electricity Regulatory Commission.

Tihic and Covic Fail to Resolve Dispute

13. (C) According to Federation VP and SDA member Mirsad Kebo, Tihic and Covic met to discuss this issue on October 16, but the meeting resulted only in Tihic's hurling invective at Covic. Kebo told us that Tihic -- having secured notional support from the much smaller HDZ-1990 and the Croatian Party of Rights (HSP) for his future political activities, particularly in the Federation -- left the meeting determined to show his teeth to Covic. Tihic -- in order to show Covic he is serious, according to Kebo -- instructed Mujezinovic after this meeting to recommend candidates for these vacancies who are not to Covic's taste.

HT Mostar Appointment Angers Covic

14. (SBU) The most striking appointment was that of Stipe Prlic, whom the Federation government appointed chairman of the telecommunications company HT Mostar on November 4 above strong objections from Covic. (Note: Prlic served as chairman of the managing board of HT Mostar in late 2004 when it resumed its 51 percent stake in the breakaway company Eronet, which had been a cash cow for HDZ-BiH since Covic oversaw its "privatization" in 1997. It is rumored that Covic bears a grudge against Prlic for taking Eronet from him. End Note.) The HDZ-BiH Ministers walked out of the November 4 government session at which Prlic was appointed, while all other Ministers -- including those of HDZ-1990 -- endorsed him. Covic's visceral reaction to Prlic's appointment sparked rumors in the press that he would seek to bring down the Federation government, but he stressed publicly that he had no intention of doing so.

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SBiH Calls for Bringing Down the Government

15. (SBU) At the request of the Party for BiH (SBiH) caucus, the Federation House of Representatives held an extraordinary session on November 10 to discuss the dysfunctionality of the government. The discussion singled out Borjana Kristo, whom SBiH delegates accused of -- inter alia -- abuse of office, spending budget funds only on Croat-majority areas, and paralyzing the work of the Federation Constitutional Court and government in her failure to fill vacancies. The SBiH caucus announced in its parliamentary conclusions that it would wait one month for Kristo to fill the vacancies before taking action. (Comment: SBiH would be hard pressed to topple Kristo. Bringing down the Presidency would require a two-thirds vote in Parliament, followed by approval from the Constitutional Court, which would remove the entire Presidency -- the President and both VPs -- from office. As SBiH holds one of the VP slots, ousting the Presidency would also eliminate one of the party's protection mechanisms for its Ministers. The proposed removal of Federation Energy Minister and SBiH member Heco failed earlier this year because of protection from Federation VP and SBiH member Spomenka Micic. End Comment.)

Kristo Responds

16. (SBU) Kristo told Parliament and the press after the session that the Constitution does not prescribe a deadline for appointing Ministers and that her failure to confirm these candidates is therefore legally sound. She further noted that if the parties wished to resolve this situation, they should have attended the meeting she called in mid-October, at which only Federation Finance Minister Bevanda was present. (Note: Federation PM Mujezinovic set up a separate meeting coterminous with Kristo's planned meeting, and Tihic, after conferring with Covic, attended Mujezinovic's meeting instead of Kristo's. End Note.)

Tihic Drifts Farther from Covic, Seeks Assurances from Zagreb

17. (C) Kristo, Kebo, and Micic met on November 17 to attempt to resolve this stalemate, but the press report that the meeting bore no results. Kebo told us that any possible solution lies in the hands of Tihic and Covic. Kebo said that the two men do not plan to meet in the near future to discuss this issue. He noted that the fact that Covic has drafted a proposal on a third entity, with the endorsement of Republika Srpska (RS) PM Milorad Dodik, has made Tihic's alliance with Covic a political risk ahead of the 2010 general elections, as any appearance of acquiescence to further dividing the country would draw ire from Tihic's hardline Bosniak opponents. Kebo noted that Tihic will soon meet in Zagreb with Croatian PM Jadranka Kosor and seek her public rejection of the third entity concept. In the meantime, according to Kebo, Tihic has decided to align with Ljubic, including on constitutional reform.

Meanwhile, Mostar Continues to Fester

18. (C) While the Federation stagnates, Mostar -- long regarded the "Bosnian Croat capital" -- remains without a mayor 13 months after the municipal elections, due to the inability of SDA and HDZ-BiH to agree on which party should hold that post (Reftel). Following 16 rounds of voting in the Mostar City Council in which neither the SDA nor the HDZ-BiH candidate captured the requisite majority to secure the mayoralty, HighRep Inzko on October 30 issued a Decision instructing the Council to vote by secret ballot, in accordance with the Mostar City Statute. However, the media report that during the subsequent round of voting on November 9, SDA and HDZ-BiH instructed their Council representatives to sign their ballots, thereby ignoring the HighRep's instructions and ensuring that the 17th round of voting also yielded no result. Without a mayor, Mostar cannot implement its city budget, which prompted the HighRep in July to extend temporary financing so that city employees could continue to receive paychecks. The HighRep's extension of the temporary budget financing expired at the end of September, though, and city administration officials have begun to block all major

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roads in and out of Mostar in protest. Kebo told us that despite this public discontent, Tihic and Covic are not discussing a solution for Mostar at all. Our OHR colleagues tell us that the HighRep may now consider dissolving the Mostar City Council and imposing new elections.

Comment

19. (C) The fact that the animosity between Tihic and Covic is crippling government operations in the Federation, including in Mostar, highlights the extent to which party leaders' political whims can grind all levels of government to a halt. This division between Tihic and Covic allows Republika Srpska (RS) PM Milorad Dodik to divert attention from his own intransigence on state-level initiatives and argue that the ineptitude of his Federation counterparts reduces the RS's ability to cooperate with them. The feud is also undoubtedly a factor in the inability of the Federation government to reach agreement on a 2010 budget, one of the main reasons for the expected delay in disbursement of funds under the IMF Standby Arrangement. Meanwhile, the people of the Federation, as Mostar exemplifies, could well become restless if development stalemates continue. All of these points, however, may be a tough sell to Tihic, who -- as Kebo indicated -- appears to be calculating that cooperating with Covic, who is publicly and dangerously inching closer to Dodik, presents a prohibitive political risk ahead of next year's elections. Tihic seems to be finding a comfortable ally in Ljubic, who also has an interest in poking a finger in Covic's eye and may be easy for Tihic to control. These beginnings of partisan retrenchment in advance of the elections highlight the challenges we will face over the next

year in engaging party leaders on critical issues.
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